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FOR INFORMATION

STRENGTHENING ACCOUNTABILITY AND OVERSIGHT IN UNICEF

SUMMARY

In response to Executive Board decision 1995/19 on the audit of the Kenya country office, the present report, presented in two parts, provides an update on the results of the audits of the Kenya country office and information on measures being taken to prevent the recurrence of fraud and/or mismanagement throughout UNICEF.

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CONTENTS

		Paragraphs	Page
INTRODUCTION		1 - 4	3
I.	PROGRESS REPORT ON THE KENYA COUNTRY OFFICE AUDIT	5 - 31	3
	A. Status of the Kenya audit investigation	5 - 8	3
	B. Management reforms in the Kenya country office	9 - 11	4
	C. Management letter from the Office of Internal Audit	12	4
	D. Downsizing operations	13 - 15	4
	E. Strengthening accountability and internal controls	16 - 21	5
	F. Streamlining programme delivery	22 - 28	6
	G. Restoring the image of UNICEF	29 - 31	6
II.	STRENGTHENING FINANCIAL CONTROL AND ACCOUNTABILITY IN UNICEF	32 - 76	7
	A. Project initiatives for management reform	35 - 62	7
	B. Audit follow-up and assessing managerial performance	63 - 65	10
	C. Management training	66 - 70	10
	D. Development of a standard project agreement with non-governmental organizations	71	11
	E. New management systems development	72 - 76	11

INTRODUCTION

1. Since UNICEF was first established in 1946, the organization and the global context in which it functions have changed dramatically. The demands on UNICEF to respond to the growing and changing needs of children in all parts of the world have pushed the organization's staff and its operating systems to the limits of their capacity.

2. With the fiftieth anniversary of the organization imminent, and the realization that the new demands on UNICEF require the organization to rethink its mission, its strategies and its operating procedures, the Executive Board wisely commissioned a management review of UNICEF in its decision 1995/7 (E/ICEF/1995/9 (Part I)).

3. The findings of the management study, and more recently the sobering experience of the audit report on the Kenya country office (KCO), have served as the basis of the work plan for management reform in UNICEF, which is described fully in document E/ICEF/1995/CRP.48.

4. The specific management reform projects to be undertaken have as their overall objective to strengthen accountability at all levels of the organization and to institutionalize the best management practices and standards of behaviour for all UNICEF staff. Systems improvements will be made to support oversight and control.

I. PROGRESS REPORT ON THE KENYA COUNTRY OFFICE AUDIT

A. Status of the Kenya audit investigation

5. The Executive Director briefed the members of the Executive Board on the major findings of the KCO audit investigation at the annual session of the Executive Board in May 1995. The audit revealed a series of irregularities, mismanagement and fraud. It is estimated that UNICEF suffered losses of more than $1 million in personal fraud by staff members and gross mismanagement of resources amounting to some $9 million. Investigations have confirmed that in many transactions, there were gross violations of UNICEF rules and regulations, lack of financial and administrative controls, and excessively high overheads, including the opening of seven sub-offices without budget approval. Mismanagement in many cases resulted from working with too many local partners, some of which were improperly registered non-governmental organizations (NGOs) used as conduits for UNICEF resources.

6. The third phase of the audit was completed in Kenya during June-July 1995. A four-person audit team completed additional field work and finalized recommendations for improvements and reform. The audit team also investigated 10 additional cases of suspected fraud.

7. When the Executive Director reported to the Executive Board on 25 May 1995, 8 staff members had been dismissed and a further 15 had been charged with serious misconduct and placed on suspension without pay. One staff

member had been charged with mismanagement, bringing the total to 24. As of 15 August 1995, an additional 7 staff have been summarily dismissed and 2 staff have resigned, bringing to 17 the total number of staff separated from UNICEF since the investigation began. The remaining seven staff are still on suspension without pay and disciplinary measures are in progress. This includes two representatives, both of whom have been relieved of their duties.

8. Before the third phase of the audit field work was started, the Executive Director visited Kenya during her first official mission to a country office. She met with His Excellency President Daniel Arap Moi and officials of the Government of Kenya, as well as the staff of the UNICEF Regional Office for Eastern and Southern Africa and KCO staff. The ongoing audit was on the agenda of all these meetings.

B. Management reforms in the Kenya country office

9. The Executive Director recently appointed as representative to Kenya an experienced staff member with a particularly strong background in financial management and personnel administration. He is also familiar with the UNICEF working environment in Kenya. During the most recent mission of the audit team to Kenya, the new representative received extensive briefings on major audit concerns and recommendations.

10. The recent events in Kenya, along with the decisive disciplinary measures taken by the secretariat, will continue to impact seriously on the capacity of KCO to function normally for several months. The arrival of the new representative will provide KCO with the strong leadership needed to strengthen financial management and accountability, as well as to restore order to programme delivery.

11. As part of the new team-building efforts, recruitment for the existing staff vacancies will be carried out carefully to ensure that the best qualified candidates are selected. In the interim, the staff of the Eastern and Southern Africa Regional Office and other offices will continue to provide short-term support. Training of staff to strengthen controls and accountability will have a high priority over the next few months.

C. Management letter from the Office of Internal Audit

12. The audit team has issued a management letter to the KCO leadership formalizing recommendations for specific improvements which had been discussed during the first two phases of the audit. Of the 67 issues raised, one half have already been satisfactorily addressed, and progress on the remaining areas of concern is being monitored by the Office of Internal Audit (OIA) and supervised directly by the Executive Director.

D. Downsizing operations

13. With the gradual consolidation of the regular and the emergency programmes, the number of staff in KCO has been reduced from 254 in January 1995 to 137 in July 1995. A further reduction to a rational staffing level of 100 is the target for December 1995. No reduction in approved national posts is deemed

necessary. Consultancies and short-term service agreements have been reduced to a minimum, and future recruitment will be reviewed by a regional Services Contract Review Committee.

14. Staff reductions have led to economies in office space. Six sub-offices have been closed and lease agreements terminated. Only one remaining sub-office, in Garissa, will support ongoing operations of the emergency programme in the arid north-east of Kenya. Additionally, a cut-back of about one third of office space is expected in KCO, Nairobi. These reductions in staff and office space have significantly reduced overhead costs of UNICEF operations in KCO.

15. KCO also is preparing to sell excess non-expendable property which includes a number of surplus vehicles. Proceeds from the Property Survey Board disposition will be accounted for in accordance with financial regulations.

E. Strengthening accountability and internal controls

Revised delegation of authority

16. The representative has given priority to strengthen internal control by systematically reviewing the delegation of all authority. For example, all cash assistance advances, supply call-forwards, agreements and travel authorizations will be signed by the representative. Consultants and short-term staff have already been excluded from exercising supervisory responsibility and delegation of authority.

Staffing

17. Recruitment procedures are now fully handled by the Personnel Section, and the office will ensure that in handling recruitment, equity and rigorous evaluation of credentials will be the guiding principles.

Financial monitoring and reconciliations

18. Significant steps have been taken to reconcile the records of the programme budget between the country office and headquarters to determine the accurate financial position of KCO.

19. Overexpenditure in 1994 has been offset by a reduced 1995 programme budget, and a simplified programme structure has been agreed to with the Government.

20. The representative has agreed to reconcile fully all bank accounts, staff personal accounts and other financial records.

21. Reconciliation and recovery of duplicate payments to suppliers and vendors will be made, and where no satisfactory progress in programme output or service delivery has been observed, advances will be recovered promptly. Donations-in-kind, supplies and equipment provided to a specific weaning food production manufacturer will be fully reviewed for proper accounting and possible recovery.

F. Streamlining programme delivery

Cash assistance

22. The recovery of long-outstanding cash assistance advances, both to governmental and non-governmental organizations, amounting in total to more than $5 million, is under careful review by the office. No further advances are being made until each institution settles outstanding advances and verification of substantiating documentation is further improved. However, acceptable liquidation may take a number of months.

23. Negotiations with the Government, which started earlier in the year, will continue in order to find the most effective and efficient means to channel funds at the subnational level. While collaboration with carefully selected registered NGOs will continue, the new standard project agreement will be strictly adhered to. This standard agreement is being finalized by the Programme Division in New York, and programme officers in KCO will receive training on the use and monitoring of these agreements.

24. Important new control mechanisms to verify NGO registration and to carefully assess each NGO's capacity to implement and account for funding will be put in place during the final quarter of 1995.

25. NGOs will no longer be used as conduits for UNICEF resources and will no longer be paid administrative fees for disbursing UNICEF funds. Staff members will no longer handle cash disbursements of project funds.

Supply assistance

26. A stock inventory has been concluded at the main contracted warehouse in Nairobi, and a significant movement of goods, including perishable foodstuffs, has been achieved. Similar exercises will be undertaken at other warehouse locations, including the port of Mombasa. Access to warehoused goods has also been appropriately restricted.

27. Significant problems are anticipated in getting outstanding government receipts for supplies delivered to counterparts over the past two years. However, the representative will explore options with the Government.

28. Outstanding bills received from suppliers are being paid when adequate supporting documentation exists to establish legal liability. KCO is coping with a number of legal suits against the organization, and the United Nations Office of Legal Affairs has been asked for advice and assistance.

G. Restoring the image of UNICEF

29. With immediate effect, there will be no further use of programme funds for hospitality. The office has undertaken to ensure that diplomatic license plates will no longer be assigned to vehicles that are covered by loan agreements. Action has already been taken to recover all United Nations plates on project vehicles. KCO will undertake the complex and lengthy process of a full review and regularization of all loan agreements for vehicles.

30. The financial mismanagement and fraud in KCO has made it very difficult for UNICEF to meet reporting obligations to donors, but this is an area for priority attention and KCO will make every effort to clear all outstanding reports by December 1995.

31. The vast majority of UNICEF staff in KCO continue to give their best efforts to the organization, despite the demoralizing impact of the events that have unfolded around them in recent months. They will play an important role in working to rebuild the organization's credibility in Kenya during this difficult period.

II. STRENGTHENING FINANCIAL CONTROL AND ACCOUNTABILITY IN UNICEF

32. The summary dismissal of staff who have been charged with fraud and serious mismanagement has sent a strong message throughout UNICEF that the organization will not tolerate dishonest and unethical behaviour. One UNICEF representative put it this way: "The situation in Kenya has made us acutely aware of our responsibilities as managers, and in ensuring that all aspects of our work are undertaken with a high level of integrity and in line with UNICEF rules and regulations".

33. Several reform projects are already underway, namely the redefinition of a UNICEF mission statement and the external consultancies in financial management, information resources management and the procurement and supply functions. The latter three projects are being coordinated by an interdivisional team known as the Coordinating Committee for External Consultancies, chaired by the Director of the Planning Office, and comprising staff from the three technical divisions and representatives of "users" from other functional areas of UNICEF.

34. The seven new project initiatives for management reform recently identified by the Management Task Force and approved by the Management Steering Committee are listed below.

A. Project initiatives for management reform

Project 1: Structure of accountability

35. Definition. Development of a UNICEF-wide structure that defines key planning, execution and control functions, accountabilities and interrelationships among headquarters, regional offices and country offices; and redesign of critical work processes in line with the new structure.

36. Outcomes. Clear definition and understanding of critical roles, responsibilities and accountabilities for the work of UNICEF and for collaboration with external partners; more effective coordination and collaboration among headquarters, regional and country offices; clear identification of the UNICEF comparative advantage in emergencies within the context of United Nations system-wide emergency programming; greater country programme effectiveness and more responsive local decision-making; enhanced capacity for oversight and quality assurance, greater sensitivity to country priorities in the pursuit of global goals; and improved evaluation of results.

37. Accountable. Small project team of senior (policy-level) staff from headquarters and field offices.

38. Time-frame. Phase I: August - December 1995;
Phase II: January - December 1996.

Project 2: Building the capacity for effective field management

39. Definition. Development and implementation of tools and programmes to support effective field management (e.g. Programme Manager System (PROMS), performance assessment, work-planning, management development programmes).

40. Outcomes. Effective set of management tools available to and used by all UNICEF offices; systems in place to monitor management effectiveness and to provide support; and special emphasis on developing appropriate tools for managing in emergency situations.

41. Accountable. Small field-led project team with country, regional and headquarters representation and technical support from the Office of Information Resources Management (IRM) and the Division of Personnel (DOP).

42. Time-frame. September 1995 - December 1996.

Project 3: Relations with National Committees

43. Definition. Development of a UNICEF-wide, integrated strategy to manage the relationship with National Committees; development and clarification of a policy for the establishment of new Committees and other UNICEF support groups; and design of an appropriate structure and accountabilities, recognizing current and likely future trends and changes in the environment.

44. Outcomes. More effective coordination and collaboration in developing coherent, consistent advocacy and fund-raising with National Committees; more effective delineation of responsibilities and accountability on the part of the UNICEF secretariat and the National Committees; and promotion of capacity-building within National Committees to fully meet agreed obligations and objectives.

45. Accountable. Project team with representation from National Committees, the Division of Information, the Division of Public Affairs, the Programme Funding Office (PFO), the Greeting Card and related Operations, the Division of Financial Management (DFM), Geneva and field offices.

46. Time-frame. August - December 1995.

Project 4: Commitments and conduct

47. Definition. Development of a set of professional standards and fundamental principles for all UNICEF staff.

48. Outcomes. Clear set of fundamental standards to guide professional behaviour; and integration of standards into day-to-day work life.

49. Accountable. Global advisory council, with inputs from headquarters and regional advisory councils and staff associations.

50. Time-frame. August - November 1995.

Project 5: Developing a human resources strategy and strategic function

51. Definition. The development of a comprehensive human resources strategy and transformation of DOP from a personnel administration function to a strategic one.

52. Outcomes. A comprehensive human resources strategy linked to the mission of UNICEF, strategic goals, the medium-term plan and country programmes; a transformed human resources function with clear structure, roles, accountabilities and interrelationships; and the application of the best human resources practices.

53. Accountable. A senior project team led by the Director of DOP and comprised of headquarters and field representatives, drawing on external expertise, as appropriate.

54. Time-frame. August 1995 - March 1997.

Project 6: Staff deployment process

55. Definition. The design of efficient processes for recruitment, appointment, placement, promotion, rotation, separation and career development of all staff (General Service and national and international Professionals).

56. Outcomes. A transparent, fair, integrated, streamlined and objective UNICEF-wide system and process for recruitment and placement; and clarification of headquarters', regional and country offices' roles and accountabilities for staff recruitment and placement.

57. Accountable. A project team led by DOP with representatives from regional and headquarters advisory councils and recruitment professionals.

58. Time-frame. September 1995 - December 1996.

Project 7: Human resources support system

59. Definition. The design and development of personnel management policies, processes and systems.

60. Outcomes. Clear personnel policies reflective of UNICEF commitments and conduct; new human resources strategy and the best human resources management practices; easy access to human resources data to support staffing, recruitment,

rotation and career development decisions; and effective monitoring and control of personnel transactions.

61. Accountable. Director, DOP.

62. Time-frame. August 1995 - September 1996.

B. Audit follow-up and assessing managerial performance

63. While the new projects resulting from the management reform process have varying time-frames for implementation between 1995 and 1996, the continuing regular work of UNICEF has been positively affected by a climate of renewed commitment to excellence. Many steps have already been taken at the country level, in regional offices and in headquarters locations to strengthen oversight, accountability and financial control focusing especially on the areas of weakness identified by both the external auditors, the UNICEF OIA and by the continuing evaluation of the work of UNICEF.

64. In particular, division directors and heads of offices are required to give specific attention to the follow-up of audit recommendations and are being held accountable by the Executive Director for the implementation of recommendations that apply to their office or area of responsibility. DOP has developed a database on all audit reports to monitor trends and categorize problems according to their origin, whether policy-related or due to deficient management practice. This database is also used to monitor trends which could establish patterns of misconduct by individual staff. The Internal Audit Committee will examine cases where delinquent follow-up has been reported by OIA.

65. DOP is also developing a check-list of performance indicators for all staff working in personnel administration, as well as a check-list for country office managers on the essentials of sound human resources management. The UNICEF performance appraisal system will also be modified to give more importance to assessing managerial performance, especially for senior staff.

C. Management training

66. OIA and the Training and Staff Development Section have developed training packages which are being tested with a sample of offices before releasing them generally, to give UNICEF managers the capacity to undertake regular participatory self-audits within their offices, to identify weaknesses in procedures for control and oversight that make UNICEF vulnerable to fraud, and for redesigning work processes to ensure efficiency, effectiveness and value for money.

67. Management training is being scheduled for select UNICEF offices at this time, and the secretariat is developing a global network of management trainers who can assist the organization to extend this training programme as rapidly and effectively as possible.

68. The June 1995 briefing of new representatives gave major emphasis to developing management skills and included a session on handling disciplinary procedures, based on the case of KCO. The lessons learned in Kenya will also be the basis for developing management training modules for various categories of staff, including senior staff.

69. Training activities in UNICEF are also being oriented to give greater emphasis to building appropriate staff capacity at all levels to implement regulations and procedures for protecting the assets of UNICEF and for managing people, programmes and money on an ongoing basis. In the past year, some 150 senior UNICEF staff have participated in these training activities.

70. In the management of emergency operations, UNICEF has recently strengthened its capacity in the following ways: (a) development of a rapid response capacity; (b) hiring of a professional security officer; (c) publication of an organizational emergency handbook; (d) emergency training for new representatives in emergency countries and for the rapid response teams; and (e) formation of a senior management task force on emergencies for oversight of emergency operations.

D. Development of a standard project agreement with non-governmental organizations

71. Special attention is being given to agreements with all non-governmental partners to ensure that they conform to the principles of the standard project agreement and are adequate to safeguard the interests and assets of UNICEF. All offices are required to ensure that: (a) there is greater control over the use of short-term contracts and special service agreements; (b) advances to Governments and other partners are liquidated in a timely manner; (c) supporting documents conform to UNICEF financial rules and regulations; and (d) procedures for effecting payments are in line with established principles, with inbuilt checks and balances for certifying, approving and authorizing the expenditure of UNICEF funds.

E. New management systems development

72. PROMS, now being developed, will significantly increase the capacity of field offices, and all divisions, to effectively manage and monitor their use of resources. The accelerated exchange of information and the use of one unified system for all functions supporting the field will facilitate the timely production of accurate financial reporting at all levels. Aspects of PROMS are currently being tested in some field offices, and this process will continue until the full system is ready for installation by the end of 1996.

73. Programme Division, PFO and DFM are collaborating to improve the timeliness and quality of reports to donors. There is a monitoring systems in place to identify delays and inadequacies and to take appropriate corrective action.

74. The secretariat is also planning to submit to the Executive Board in 1996 its recommendation for an integrated UNICEF budget, to be implemented first in headquarters and in regional offices. This proposal will be the subject of an

informal consultation with the Executive Board on 28 August 1995 and will be discussed at the present session under agenda items 7 and 8 of the provisional agenda (E/ICEF/1995/20).

75. The Executive Director is also discussing with regional directors and other senior staff appropriate steps to be taken to strengthen the oversight role of regional offices and to clarify lines of reporting and accountability between regional directors and representatives.

76. The Executive Director continues to monitor the situation in Kenya personally, and the secretariat attaches the highest priority to management reform in UNICEF. The recent Management Steering Committee retreat, which adopted the work plan for reform, was unanimous that management reform in UNICEF is of top priority at this time and that the ultimate objective of all efforts to strengthen accountability and oversight in UNICEF is to empower staff to improve their cooperation with all partners and to fulfil the organization's obligations to children.